

Message Text

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ACTION L-03

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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 8584

C O N F I D E N T I A L NASSAU 1404

E.O. 11652: GDS

TAGS: EFIN CFED BF US

SUBJ: IRS ACTIVITIES IN THE BAHAMAS

REF: (A) STATE 297988; (B) NASSAU 554 AND PREVIOUS

1. AT MEETING WITH MINEXTAFF ADDERLEY SEPT 1, I DISCUSSED INTERIM IRS OPERATING PROCEDURES IN BAHAMAS AS AUTHORIZED REFTEL A. I POINTED OUT THAT IRS INVESTIGATIVE ACTIVITIES IN BAHAMAS HAD COME TO AN ALMOST COMPLETE STANDSTILL AS OF LAST SEPTEMBER AND STRESSED THE IMPORTANCE OF THE SERVICE RESUMING ITS LEGITIMATE ACTIVITIES IN THE ISLANDS. I THEN BRIEFED ADDERLEY ON THE PROCEDURES WHICH WOULD BE FOLLOWED. WITH THE EXCEPTION OF ASKING THAT I RE-READ THE SECTION ON CONTACTS WITH BANKS, WITH WHICH HE THEN CONCURRED, ADDERLEY APPEARED TO HAVE NO PROBLEM WITH THE PROCEDURES AS OUTLINED. IN MY PRESENTATION, I STRESSED THAT IN THE IMPLEMENTATION OF PROCEDURES, EMBASSY WOULD ASSIDUOUSLY SEEK HIS ADVICE WERE THERE TO ARISE ANY QUESTION WHATSOEVER CONCERNING THE PROPRIETY OF ANY FUTURE INVESTIGATION. IT WAS AGREED THAT MINEXTAFF PERM SEC WOULD SERVE AS INITIAL POINT OF CONTACT WITH EMBASSY. ADDERLEY MADE IT CLEAR, HOWEVER, THAT PERM SEC WOULD IN TURN BE RECEIVING GUIDANCE AND INSTRUCTIONS DIRECTLY FROM HIM.

2. ADDERLEY WAS INFORMED THAT PROCEDURES DESCRIBED WERE VIEWED BY EMBASSY AS BEING INTERIM IN NATURE, AND THAT EMBASSY HOPED SOON TO BE ABLE TO DISCUSS WITH HIM A PROPOSAL FOR A BILATERAL AGREEMENT WHICH WOULD FACILITATE THE EXCHANGE OF INFORMATION OF VALUE NOT ONLY TO IRS BUT OTHER USG AGENCIES

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AS WELL. I RECALLED PRIME MINISTER PINDLING'S SPEECH IN

DETROIT AND HIS OWN COMMENTS TO AMBASSADOR CONCERNING AN "ARRANGEMENT" WITH CANADIANS. WITH REGARD TO LATTER, ADDERLEY EXPLAINED THAT THERE EXISTED NEITHER A FORMAL NOR INFORMAL ARRANGEMENT FOR THE EXCHANGE OF INFORMATION WITH CANADA BUT RATHER A "GENTLEMEN'S UNDERSTANDING" BETWEEN "...TWO NORTH AMERICAN COMMONWEALTH COUNTRIES." IF, FOR EXAMPLE, CANADIAN GOVERNMENT SUSPECTED THAT CANADIAN CITIZEN HAD VIOLATED TAX OR OTHER LAW AND HAD REASONABLE AMOUNT OF PROOF OR EVIDENCE IN HAND, CANADIAN GOVERNMENT REPRESENTATIVE WOULD COME TO ADDERLEY ON AN INFORMAL BASIS AND EXPLAIN PROBLEM. THUS FAR ADDERLEY HAD CONSISTENTLY COOPERATED TO FULLEST EXTENT. "GIVEN FACT THAT U.S. TOO WAS A NORTH AMERICAN NATION WITH COMMON LEGAL TRADITION", ADDERLEY SAW NO REASON WHY U.S. REQUESTS COULD NOT BE DEALT WITH IN SIMILAR MANNER, AND INDEED SAID THAT THIS HAD IN FACT BEEN THE PRACTICE OVER PAST SEVERAL MONTHS. AT SAME TIME, HE WOULD BE HAPPY TO RECEIVE ANY IDEAS WE MIGHT HAVE ON A MORE FORMAL BILATERAL AGREEMENT.

3. ADDERLEY ENDED THIS PORTION OF CONVERSATION BY RESPONDING THAT (A) HE HAD NO PROBLEM WITH INTERIM PROCEDURES AS STATED, (B) LIAISON BETWEEN EMBASSY AND HIMSELF WOULD BE EXTREMELY USEFUL IN HIS RESPONDING TO INEVITABLE COMPLAINTS FROM U.S. CITIZENS RESIDING IN BAHAMAS ALLEGING "HARRASSMENT BY USG AGENTS"; (C) THAT IT WOULD NOT AFTER ALL BE NECESSARY (AS HE HAD AT ONE POINT REQUESTED IN CONVERSATION) TO SET OUT PROCEDURES IN WRITING FOR EXCHANGE AND EVENTUAL CONCURRENCE; AND (D) HIS HOPE THAT WE WOULD "NOT OVERLOAD THE CIRCUITS" WITH UNUSUAL OR PROBLEM CASES ESPECIALLY WHILE PROCEDURES WERE BEING TESTED AND GIVEN FACT THAT PROCEDURES WERE OF AN INTERIM NATURE.

4. COMMENT: IRS NOW HAS GO-AHEAD TO BEGIN PROCESSING CASE BACKLOG IN BAHAMAS INCLUDING DETAILING OF A TDY AGENT TO NASSAU IF DEEMED NECESSARY. IN PREPARING WORK SCHEDULE, IRS WILL WISH TO KEEP IN MIND ADDERLEY'S ADMONISHMENT NOT TO "OVER-LOAD" CIRCUITS. IT IS EMBASSY'S STRONG BELIEF THAT HOW WE HANDLE FIRST MONTH'S BUSINESS IS CRUCIAL TO SUCCESSFUL FUTURE OPERATION IN BAHAMAS AND THAT NOTHING SHOULD BE DONE TO JEOPARDIZE THIS NEWLY GAINED ACCESS, HOWEVER
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LIMITED OR IMPERFECT. FOR EMBASSY'S PART, WE LOOK FORWARD TO WORKING TOGETHER WITH IRS IN CARRYING OUT BOTH THE LETTER AND SPIRIT OF INTERIM PROCEDURES PENDING THE NEGOTIATION OF A BILATERAL AGREEMENT.
TAYLOR

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